

## **MINUTES**

### **MONTANA SENATE 57th LEGISLATURE - REGULAR SESSION COMMITTEE ON LOCAL GOVERNMENT**

**Call to Order:** By **CHAIRMAN DALE MAHLUM**, on March 15, 2001 at 3:00 P.M., in Room 303 Capitol.

#### **ROLL CALL**

**Members Present:**

Sen. Dale Mahlum, Chairman (R)  
Sen. John C. Bohlinger, Vice Chairman (R)  
Sen. Chris Christiaens (D)  
Sen. John Cobb (R)  
Sen. Jim Elliott (D)  
Sen. Bill Glaser (R)  
Sen. Duane Grimes (R)  
Sen. Don Hargrove (R)  
Sen. Ken Miller (R)  
Sen. Ken Toole (D)

**Members Excused:** Sen. Emily Stonington (D)

**Members Absent:** None.

**Staff Present:** Leanne Kurtz, Legislative Branch  
Mary Gay Wells, Committee Secretary

**Please Note:** These are summary minutes. Testimony and discussion are paraphrased and condensed.

**Committee Business Summary:**

Hearing(s) & Date(s) Posted: HB 345, 3/1/2001  
HB 386, 3/1/2001  
HB 409, 3/1/2001

Executive Action: HB 386 BC  
HB 409 Subcommittee Appointed

**{Tape : 1; Side : A; Approx. Time Counter : 0}**

**HEARING ON HB 386**

**Sponsor:** REP. DAN FUCHS, HD 15, BILLINGS

**Proponents:** Blaine Martin, Operations Manager, R & S Marketing,  
Bozeman  
Mike Mader, Liberty Fireworks, Great Falls  
Annette Kunda, Wild Coyote Fireworks, Belgrade  
Kitty Krohne, The Last Stand Fireworks  
Mona Jamison, R & S Marketing

**Opponents:** None

**Opening Statement by Sponsor:**

**REP. DAN FUCHS, HD 15, BILLINGS.** House Bill 386 removes the sunset and would continue to allow the sale of fireworks from June 24 through July 5 and from December 29 through December 31.

**Proponents' Testimony:**

**Blaine Martin, Operations Manager, R & S Marketing, Bozeman.** They have 15 to 20 employees working in Bozeman. They supply approximately 140 accounts across the state. This bill would help groups from non profit organizations to youth groups. The extra days around New Years will help these people as well as others.

**Mike Mader, Liberty Fireworks, Great Falls.** They employee mostly college students and some families in the summer. They depend on this income from fireworks. The fire marshals have no problem with the bill.

**Annette Kunda, Wild Coyote Fireworks, Belgrade.** They employee many teachers and urge the committee's support of HB 386.

**Kitty Krohne, The Last Stand Fireworks, Park County.** They have operated in Park County for the last ten years. They are very supportive of HB 386.

**Mona Jamison, R & S Marketing.** Fireworks are fun and people love them. This bill asks for three additional days from December 29 through December 31. The Chinese feel that fireworks cement their hopes for the New Year. She felt that was appropriate for Montanans.

**Opponents' Testimony:** None

**Questions from Committee Members and Responses:**

**SEN. DON HARGROVE's** microphone was not on and the question could not be heard. **Mona Jamison** answered that it is in the code, Section 50-37-(she was not certain). This bill only applies to the legal fireworks that are already authorized during the July 4<sup>th</sup> celebration. This does not expand the kinds of fireworks that are allowed.

**SEN. DUANE GRIMES** questioned if local municipalities could still regulate fireworks. **Mona Jamison** stated that this bill in no way affects any authority of any local government.

**Closing by Sponsor:**

**REP. FUCHS** closed.

**HEARING ON HB 345**

**Sponsor:** REP. JEFF MANGAN, HD 45, GREAT FALLS

**Proponents:** Harold Blattie, Stillwater County Commissioner  
 Gary Fjelstad, Rosebud County, President, MT. Assoc. of Counties (MACO)  
 Bill Kennedy, Yellowstone County Commissioner  
 Dean Harmon, Roosevelt County Commissioner; 1<sup>st</sup> Vice President, MACO  
 Allan Underdal, Toole County Commissioner; MACO Fiscal Officer  
 Vern Peterson, Fergus County Commissioner  
 Tom Schneider, MT Public Employees Assoc. (MPEA)  
 Jim Smith, MT Sheriffs' & Peace Officers' Assoc.  
 Tom Stelling, Cascade County Commissioner  
 Sam Samson, Jefferson County Commissioner  
 Robert Throssell, MT Clerk & Recorder Assoc. and MT County Treasurers Assoc.  
 Mary Phippen, MT Assoc. of Clerks of District Court  
 Gordon Morris, Director, MACO  
 Jani McCall, MT County Attorney Assoc.

**Opponents:** None

**Opening Statement by Sponsor:** House Bill 345 is a true local control bill. The Council of County Officials (CCO) worked on the concept of the bill for two years. They worked with the Montana State University Local Government Center. They conducted

a study of how compensation is considered in comparable states in the area. Montana has the most complicated set of statutes in determining salaries for county officials. Utah and Idaho have two lines in statute and that is county salaries are set by the counties. This bill is a first step in allowing local governments to have control over their local salary structure.

The bill creates a county compensation board consisting of local officials and, as amended in the House Local Government Committee, two taxpayers would be appointed to give input on county salaries and cost of living increases. The board would conduct public hearings, consider comparable salaries in other counties, the private sector, other states and the fiscal capacity of their government to cover salaries. Based on the hearings, the county compensation board would make recommendations to the county commissioners who retain the final authority to decide on salary increases.

He handed out a statement on Salary Calculations, Under Current Law **EXHIBIT(1os59a01)**. He explained how salaries were calculated. It seemed to be quite complicated.

This bill is not a mandate to increase salaries. County officials are elected and will be held accountable at the ballot box. They won't set salaries that are not affordable. There is one amendment **EXHIBIT(1os59a02)**. One issue is about the county attorney salary. There were concerns about that salary being paid half by the county and half by the state. The amendment addresses those concerns.

#### **Proponents' Testimony:**

**Harold Blattie, Stillwater County Commissioner.** He served as the Chairman of the Council of County Officials (CCO). They met approximately six times. Dr. Weaver of the MSU Local Government Research Center had done studies of other studies. That is where the idea of the county compensation board came from. The burden of whether salaries will be at 80%, 90% or 100% of the allowable base with adjustments will be on the county commissioners. By bringing in other elected officials on this board as well as taxpayers, it broadens the scope of input. In Stillwater, they are in a competitive job market. They are having a difficult time of retaining employees. This bill will let them make local decisions based upon local situations.

**Gary Fjelstad, Rosebud County Commissioner; President, MACO.** Their county stands in support of the bill. One issue was to allow the rural counties to have the flexibility to maintain their salaries if their economic conditions did not allow for

increases. In the urban counties, they needed the flexibility to compete in the job market.

**Bill Kennedy, Yellowstone County Commissioner.** Yellowstone County stands in support of the bill.

**Dean Harmon, Roosevelt County Commissioner; 1<sup>st</sup> Vice President, MACO.** He supports HB 345. This bill in its amended form has been looked over and fixed up several times. It is fair to both the rural and urban counties.

**Allan Underdal, Toole County Commissioner; MACO Fiscal Officer.** He gave his testimony and handed in a written copy  
**EXHIBIT (los59a03).**

**Vern Peterson, Fergus County Commissioner.** They are in support of the bill. He does not see the bill as a salary increase bill, but they do want local control.

**Tom Schneider, MT Public Employees Assoc.** He had dealt with county salaries and how they are set for the last thirty years. This is a very good bill.

**Jim Smith, MT Sheriffs' and Peace Officers' Assoc.** The top three priorities for his people are mental health services, youth corrections and wages and benefits for sheriffs, deputies and detention officers. If these people were not so civic minded, they would have that order reversed.

**Tom Stelling, Cascade County Commissioner.** He and his fellow commissioners are in support of this bill. It is good and gives local control back to the county commissioners so they can compete in a very competitive market.

**Sam Samson, Jefferson County Commissioner.** On behalf of all three commissioners and all elected officials, he offered support for the bill.

**Robert Throssell, MT Clerk & Records Assoc. and MT County Treasurers Assoc.** The issue of local control is important to both groups. They are elected officers in the county and they believe they should have a hand in making these decisions.

**Mary Phippen, MT Assoc. of Clerks of District Court.** They are in full support of the bill.

**Gordon Morris, Director, MT Assoc. of Counties.** MACO is in support of the bill.

**Jani McCall, MT County Attorneys Assoc.** They are in support of the bill.

**Opponents' Testimony: None**

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**Questions from Committee Members and Responses:**

**SEN. CHRIS CHRISTIAENS** asked if county attorneys' salaries are submitted by July 1 to the Department of Justice, would this compensation board come together and have all their work done by July 1 each year or would it have to be done in a piecemeal fashion. **Gordon Morris** answered that the sponsor's amendment was intended to address that. Estimates would have to be made and given to the Dept. of Justice so they can put it into their biennial budget request, House Bill 2. This would be an educated estimation as to what the adjustments would be and they would also do that in the second year of the biennium. This bill should not impact that process other than they will have to make estimates based upon what they are getting from other county attorneys across the state.

**SEN. CHRISTIAENS** questioned how the two resident taxpayers on the board would be compensated. **Mr. Morris** replied that they would be volunteers from the community.

**SEN. CHRISTIAENS** then asked about the salaries and expenses of the chief probation officers and other officers. **REP. MANGAN** had a bill that dealt with that.

**SEN. CHRISTIAENS** asked how that would affect this bill. **Mr. Morris** requested the committee to look at HB 345. It simply eliminates the cap on current language and strikes all the language that is to be struck throughout the salary section relative to the cost of living adjustments. That is consistent throughout the statutes. The passage of HB 62 would simply replace these sections in their entirety and dictate for purposes of probation officer, deputy and others.

**SEN. DON HARGROVE** asked how the state is involved in setting salaries. **Mr. Morris** said the comment was intended to refer to the fact that since 1985, he had been dealing with county salaries before the legislature. In 1985, the base was increased from \$14,000 and \$18,000 to \$18,000 to \$25,000 respectively. Periodically, the counties have had to return to the legislature to increase those original bases because they don't keep up. With this bill, they won't have to do that.

**SEN. HARGROVE** questioned the makeup of the board. He felt it could be risky because of the responsibilities and also the opportunities. The board might have a lot of public pressure to hold things down more than they are now. **Mr. Morris** felt that the compensation board's structure gives them the authority to recommend and must include a majority of two commissioners. With the requirement of two commissioner, a veto could be used over any recommendation being made that is contrary to the interests of the county in their ability to pay, the tax circumstances, etc. It serves to bring light into the process. The commissioners are in the drivers seat and have to live with the consequences.

**SEN. DUANE GRIMES** stated on page 2, line 26 the county compensation board would make recommendations for salaries for county treasurer, clerk and recorder, clerk of district court, assessor, superintendent of schools, sheriff, surveyor, justice of the peace and auditor. He asked if all were paid the same as the clerk and recorder. **Mr. Morris** said all elected officials are paid based upon this statute and the bill, even as it's being offered, is the same schedule fixed to the clerk and recorder salary with certain officials receiving additional amounts, i.e. the sheriff, commissioners and superintendent of schools.

**SEN. GRIMES** wanted an explanation of the current law and how the bill would change it. **Mr. Morris** replied in first, second and third class counties, the salary for clerk and recorder would be \$25,000 plus \$10 for every 100 people in the county. That is the base salary. Depending on how long the clerk and recorder had been employed and what increments had been added to the salary, their salary could be higher. For fourth, fifth, sixth and seventh classes, the base is \$18,000 plus \$10 per 100 people in the county. They then had to come back periodically to the legislature to increase those figures. With this bill, they would not have to come back; the commissioners would set the salaries with recommendations from the compensation board. They would work off this year's salary for going ahead in the future.

**SEN. GRIMES** reiterated the legislature would not set the salaries; the county commissioners would be setting their own salary. **Mr. Morris** said that is correct but with recommendations of the county compensation board. It would not go to the people for a vote.

**SEN. GRIMES** stated that he was not sure if this bill was the right way to go. He then stated several reasons. **Mr. Morris** replied that salaries would be set across the board and there would be no deviation. They have dealt with salary adjustments since 1986, internally, either by making FTE reductions or by

cutting administrative costs because they could not go outside existing revenue projections based upon the prior year. He felt that at some time down the road they might come back and ask for a different system of setting salaries.

**SEN. GRIMES** stated on page 5, it reads the board shall hold hearings annually. Is this for the purposes of determining salary and would this make for a mandatory increase every year. Possibly the board should meet every other year. **REP. JEFF MANGAN** offered that the bill is somewhat misnamed. The counties could have had a bill that would have wiped out the whole statute and offered one or two sentences: "Let the counties have full local control and set all county salaries." This bill is not attempting to increase salaries every year.

**SEN. GRIMES** asked again the reason for the annual meeting of the compensation board. **Mr. Morris** replied that budgets are fixed annually for counties on July 1 and salaries have to be determined and done by resolution annually by the commissioners so that they can be calculated into the FY 2002 budget. This is not new.

**SEN. GRIMES** offered that if the board did not meet annually, the commissioners could just adopt the previous year's budget and there would not be this expectation of a yearly review and increase of salaries. **Mr. Morris** referred the question to **Harold Blattie, Stillwater County Commissioner** who chaired the CCO group. **Mr. Blattie** responded that this system is what they do right now. But currently, it is only the three county commissioners who are involved. They can change the percent to 90% or 95% now. They carry the burden now for making those decisions. This bill just brings more people into the discussion. In Stillwater County, they froze salaries for three years because the funds were simply not available.

**SEN. JOHN COBB** said that if the legislature gives local control, he did not understand why there were stipulations in this bill such as giving \$400 more a year to the superintendent and \$2000 to the sheriff. **Mr. Morris** said the point was well taken. The law states that all these salaries have to be uniform. The law continues that certain positions have distinctive duties that warrant some additional compensation. The law does not allow them to discriminate in terms of the row officers. From that perspective, the political dynamic would make the situation almost impossible to resolve.

**SEN. COBB** felt the board would be set up to review the salaries and did not need any kind of instruction from the legislature.



**Mr. Morris** said that his conclusions are correct, but felt that the bill is as far as the counties should go at this time.

**SEN. GRIMES** asked what kind of disparities are there between elected official salaries that need to be corrected. **Sam Samson** offered that he did not see any corrections that needed to be made, but this would bring in a subjective phase concerning salaries. The sheriff is under a whole different set of rules. They have longevity and the other officials in the county do not. This makes for a complicated arena.

**SEN. GRIMES** asked what approach would be taken under this bill to address the inability of a county to hire and keep a sheriff because of low pay. **Mr. Samson** answered that the point of the bill is to send these decisions to the local level where they would use their own economics and social and political environment. **Mike Murray, Lewis & Clark County Commissioner**, replied that the makeup of the CCO that studied the issue for a year was made up by a representative of each of those entities. It was that collective information that brought HB 345 forth. They did not have any of those associations come and say they want the clerks to have more, etc. It was a unified approach.

**SEN. GRIMES** felt that if the bill passes, those elected officials will transfer their dissatisfaction from the legislature to the county commissioners. He did understand that the commissioners had the discretion of the caps. Now there would be no caps. **Mr. Murray** said they are confronted with these things now. He did not see that it would be much different.

**SEN. CHRIS CHRISTIAENS** asked **Doug Booker, Department of Justice**, to comment on the amendments. **Mr. Booker** said the amendment does put in the 50% level for county attorneys that is to be paid by the state and the county. When they were apprized of the bill, they were concerned because they had moved that percentage to 60% which would have required additional funding on the part of the state.

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**SEN. COBB** asked if the clerk and recorder's salary is always tied to the commissioners. Why has everything been tied to the clerk and recorder. **Mr. Morris** asked the committee to look on page 3, line 8-9. This is current language and HB 345 does not take it out. The term "base" has been taken out and it states clearly the "annual," which has been added, salary established last year must be uniform. These are required by law to be uniform.

**Closing by Sponsor:**

**REP. MANGAN** closed. This bill is a first step and does not ask the county compensation board to set the salary based on their own subjective ideas. Someday local governments will have that authority to set salaries based on their local economies. The process, under this bill, will be greatly simplified. The amendment on the county attorneys make the bill more acceptable to everyone.

**HEARING ON HB 409**

**Sponsor:** REP. ART PETERSON, HD 10, BILLINGS

**Proponents:** REP. JEFF MANGAN, HD 45, GREAT FALLS

Gary Fjelstad, Rosebud County Commissioner;  
President, MACO

John Vincent, Gallatin County Commissioner

Tom Thompson, Public Works Dept., Lewis & Clark County

Mike Murray, Lewis & Clark County Commissioner

Peggy Beltrone, Cascade County Commissioner

Mark Rehbein, Richland County Commissioner

Harold Blattie, Stillwater County Commissioner

Jim Smith, MT Sheriffs' and Peace Officers' Assoc.

Vern Peterson, Fergus County Commissioner

Alec Hansen, MT League of Cities/Towns

Charles Brooks, City of Billings

Allan Underdal, Toole County Commissioner

Sam Samson, Jefferson County Commissioner

Mary Phippen, MT Assoc. of Clerks of District Court

Tom Schneider, MT Public Employees Assoc.

Gordon Morris, Director, MACO

**Opponents:** Mary Wittinghill, MT Taxpayers Assoc.

**Opening Statement by Sponsor:**

**REP. ART PETERSON, HD 10, BILLINGS.** House Bill 409 was requested by the MT Association of Counties (MACO). It has two objectives: first, to strengthen local government through facilitating the recruitment and retention of quality employees and second, to create a sense of equity in group benefits between local and state civil servants.

The means by which these objectives are to be accomplished is simply the allowance of local political subdivisions to impose

mill levies sufficient to pay the employers' premium contributions for Group Health Insurance benefits, a situation not currently possible because of the mill levy caps imposed by I-105 in 1987. So serious has this problem of under funding of group health insurance premiums become that this issue is of first priority for county governments across the state. He feels that the legislature is quite knowledgeable and sees the need for more local government control.

Montana county tax levies have been capped. Therefore, counties have not had any way to adjust for inflation. The consumer price index has gone up about 22.3% since 1993 and health care cost and health insurance have risen even more sharply than the cost of inflation. Counties have three alternatives. They can reduce the benefits for their employees. They can increase deductibles. They can reach out and borrow from other funds and weaken government by reducing the number of employees.

The second reason for the bill was to create a sense of equity between local and state government. The real disparity comes in the area of benefits, particularly in group health insurance. The legislature has increased their own health insurance allowance by \$25 per month. The counties have not been able to do that. They should have the right to provide a share of group health insurance premiums to their employees who work for them and for the state. What's fair for the state should be fair for the counties.

**Proponents' Testimony:**

**REP. JEFF MANGAN, HD 45, GREAT FALLS.** He supported HB 409. House Bill 409 and his House Bill 345 are companion bills. As Vice-Chair of Local Government, he had the ability to listen to all concerns. They did amend HB 345 to take into some considerations of HB 409. Local control is very important and that is what both bills address.

**Gary Fjelstad, Rosebud County Commissioner; President, MACO.** He supported HB 409. Health insurance in Montana is in a crisis situation. Between the caps on mill levies and increasing health insurance premiums, they are in a real bind. The costs are draining their reserves.

**John Vincent, Gallatin County Commissioner.** He gave his testimony and handed in his written statement **EXHIBIT(1os59a04)**. He had a signed petition of 150 people employed by Gallatin County **EXHIBIT(1os59a05)**.

**Tom Thompson, Public Works Department, Lewis & Clark County.** He gave his testimony and handed in his written statement **EXHIBIT (los59a06)**.

**Mike Murray, Lewis & Clark County Commissioner.** On behalf of his Chairman, County Commissioner Karolin Loendorf, he supported the bill. He handed in a letter from Ms. Loendorf **EXHIBIT (los59a07)**.

**Peggy Beltrone, Cascade County Commissioner.** She and her colleagues stand in support of HB 409. They can pay \$160 under their present cap.

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**Mark Rehbein, Richland County Commissioner.** He stands in support of HB 409. To be able to offer good health coverage is paramount in retaining good employees.

**Harold Blattie, Stillwater County Commissioner.** They have a self-funded insurance plan. They have been forced to reduce coverage, increase deductibles, eliminate some programs completely and shift some of the cost to their employees. They have undertaken an active risk management program. They have a substantial wellness benefit which encourages their employees to have annual physicals, flu shots, etc. to take care of themselves. He handed out a chart from Stillwater County called the EBMS Account Balance **EXHIBIT (los59a08)**. When this bill was heard in the House, the last two numbers were not on the chart. At that time, the chart showed a continuing downward line. Their reserve levels are at the lowest since he became a commissioner in 1995. The state provides \$295 a month for the state program and in his county they are paying \$118. They cannot continue to under fund the program.

**Jim Smith, MT Sheriffs' and Peace Officers' Assoc.** He paraphrased Rep. Francis Bardanouve's statement in about 1987, "We can take inflation out of the revenue side of government's ledger through things like I-105, but we can't take inflation out of the expenditure side of government's ledger." There has been ample testimony stating this fact. It is time to do something constructive.

**Vern Peterson, Fergus County Commissioner.** Medical care costs are running at an inflationary rate of about 13% nationwide and nearer 20% in Montana. He is also a hospital board member and even with those inflationary figures, they are barely keeping the doors open. In 1988, about 12 counties who were self-insured formed the Montana Joint Powers Trust to reinsure themselves with health insurance that was extremely effective in stabilizing

costs. However, two years ago, more counties joined. In the following fifteen months, they spent \$3 million of their reserves paying medical claims that were not covered by premiums. That lead to some tremendous premium increases for those counties. That caused some counties to go without insurance and try to find it elsewhere. This is not a "break the bank" issue. Fergus County is milling 1.8 mills to fund the counties portion of the health care premium. That 1.8 mills represents  $\frac{1}{2}$  of 1% of the tax bill in School District No. 1 in Fergus County. On a \$1,000 tax bill, they are paying \$5 toward the health insurance. If it was raised to 10%, that would only be a fifty cent increase in a \$1,000 tax bill. That would not be a heavy burden for the taxpayer, but it makes a difference when all is added together.

**Alec Hansen, MT League of Cities/Towns.** His organization supported HB 409. This bill proposes a solution to a problem that has been troubling local governments in Montana for many years. Tax revenues have been flat and health insurance has been going sky high. The counties have been trying everything they could think of to make health insurance more affordable for their members and to provide better coverage for their employees. A number of cities are in a group purchase program. They have had fairly reasonable performance in that program. Last year, they were hit with an 18.5% increase that was explained as nothing more than medical inflation. There are cities and towns that are self-insured. They are the larger cities and their deficits are eating into the reserves. They run insurance programs. They have workmen's compensation, property and liability. They have talked to national insurance consulting firms about health insurance. They say there is no solution. House Bill 409 offers a partial solution. Something needs to be done.

**Charles Brooks, City of Billings.** He was appearing on behalf of Yellowstone County Commissioner Bill Kennedy. All three commissioners stand in support of HB 409.

**Allan Underdal, Toole County Commissioner.** He gave his testimony and handed in the written copy **EXHIBIT (los59a09)**

**Sam Samson, Jefferson County Commissioner.** They stand in support of HB 409.

**Mary Phippen, MT Assoc. of Clerks of District Court.** They support the bill for the reasons that had been stated.

**Tom Schneider, MT Public Employees Assoc.** He sits on the boards of health and insurance committees for the state, the university and some local governments. People have been mentioning the state's \$295 contribution rate, but that will go to \$386 at the

end of the next biennium. In addition to that, there will be out-of-pocket increases for dependent coverage. One of the local government plans that he oversees will be paying health insurance claims from operating expenses by the end of the year. They entered the year with a \$380,000 reserve fund and right now that reserve is gone. Something needs to be done and he felt HB 409 would help in those areas.

**Gordon Morris, Director, MT Assoc. of Counties.** MACO is definitely in support of HB 409.

**Opponents' Testimony:**

**Mary Wittinghill, MT Taxpayers Assoc.** The Association opposes the bill as currently written. She offered some amendments. They understand the difficulties that counties are facing in terms of medical insurance. Many Montanans are facing similar situations such as rising medical costs and rising deductibles. Today, when **Commissioner Vern Peterson** gave his testimony, was the first indication the Association had in what this bill means in terms of mill levy increases. They believe local government officials are responsive to the taxpayers, but it would be more comforting to have that indicated. **Commissioner Peterson** spoke of a 1.8 mill levy with possibly a small increase on top of that. The way the bill is written, by allowing medical insurance premiums at 100% outside the mill levy cap under 15-10-420, there is no assurance that down the road 100% of those medical insurance costs currently within a general fund budget, could be moved outside of that calculation and an entire mill applied to it. Or does it mean that future increases and the under coverage is outside the mill levy cap and therefore mills could float to cover that portion of the insurance. That is the major concern. They are not adverse to seeing some allowance for local government to take care of the problem. They are in favor of the trust issue, but I-105 was passed for a reason by the people. She felt that it was her duty to appear at the hearing to say that maybe some type of float take place and then down the road address the issue again.

**Questions from Committee Members and Responses:**

**SEN. JIM ELLIOTT** offered the voting booth to control greed. **Mary Wittinghill** responded that voters passed I-105 for a reason. Perhaps there were different reasons that lead to the property tax increases with increased reliance from schools. This minimized local governments' opportunity to utilize the local tax base as fully as they could to fund local government operations. Her group is not 100% opposed to HB 409, but they would like to offer some amendments to give assurance that local governments

would not take that opportunity to raise mill levies substantially.

**SEN. ELLIOTT** asked if her group favored total local control.

**Ms. Wittinghill** answered that they did believe in local control, but some constraints give local government the opportunity to have some guidelines in which to operate. The first few years with guidelines would show how much outside levy limitation there should be.

**SEN. CHRIS CHRISTIAENS** asked for an explanation of the three columns on the chart **(EXHIBIT 8)**. **Harold Blattie** explained that they have two accounts that claims are paid out of and that premiums are paid into. One is held locally in Billings at the Norwest Bank and the other is the State Investment Pool. Money is transferred up to STIP for a better return on their investment. That account was established in 1995 because there was a lot of money in the local account that was not earning much interest. That amount continued to grow until November 2000 when money had to be transferred back to Billings to pay claims.

**SEN. CHRISTIAENS** stated that Yellowstone County is self-insured and use a third party administrator because STIP is a third party administrator. **Mr. Blattie** answered that was correct. They use EBMS to administer the plan and then purchase re-insurance through the Montana Joint Powers Trust which Commissioner Peterson spoke about.

**SEN. CHRISTIAENS** said that one of the largest carriers in this state has just been ordered to reorganize today. That is Montana Benefit Plan, Ed Grogan's organization, in Kalispell that covers 16,000 lives. He believed that Montana is at a crisis point in health insurance when over 20% of the population are uninsured. He did not know how EBMS is going to even refinance and take care of the people. His phone had been ringing off the hook today. People are concerned that their coverage is gone. Their cash position is such that the cash is available, but HB 409 is of such a magnitude that it is not just county governments, it is the entire State of Montana. The largest single cost is that of prescription drugs. He then asked if any county was not self-insured.

**Mr. Blattie** replied that Toole County was not.

**SEN. CHRISTIAENS** asked who is the carrier for Toole County and what are the premiums per month. **Allan Underdal** said the Teamsters Trust. For a family coverage, it is approximately \$480 per month. Individual coverage is around \$270. The county picks up about \$265 for an individual. If they want family or another

type of coverage, they have to cover the rest of the cost after the \$265.

**SEN. CHRISTIAENS** said that cities and towns have pooled most of them together into one plan. Has MACO considered doing that.

**Mr. Morris** said they have looked at this over the past ten years and currently they have two groups covered under one umbrella. They are trying to bring them together and create a bonafide pool status. They aren't there yet, but are working on it.

**SEN. CHRISTIAENS** stated that it was his assumption that most counties also carry stop-loss cover. **Mr. Morris** answered that most counties carry both stop-loss coverage and, in the case of the EBMS group, aggregate also.

**SEN. KEN TOOLE** did not have his microphone on and the question was not heard by the secretary. **Ms. Whittinghill** said that not knowing what the counties were thinking, her group thought the amendment could address the portion that is outside the mill levy limitation and could be some percentage increase of the prior year. They would like to work with the sponsor and MACO on an amendment that would cover an adjustment outside the mill levy cap.

**SEN. TOOLE** again asked a question and his microphone was not on. **Ms. Whittinghill** answered that everyone in Montana is making choices right now in terms of medical insurance. Obviously, local government officials at the hearing today are not planning to take the entire amount if insurance premiums would rise 30% or higher. She did not want to see them being forced to return to the legislature year after year. They would like an assurance of knowing what parts of the budget are outside the levy limitation. Is it the current existing general fund budget or is it an increase or even clarification as to the fiscal impact to the taxpayers of Montana? No indication is given to the taxpayers the magnitude of the proposal in HB 409.

*{Tape : 3; Side : A; Approx. Time Counter : 0}*

**Closing by Sponsor:**

**REP. JEFF MANGAN** closed for **REP. ART PETERSON**. The counties have taken some small steps already by reducing benefits, raising deductibles, etc. They cannot control things outside their scope. They are asking for trust. Benefits are important in retaining good employees. He felt that the sponsor and MACO would be happy to sit down with **Ms. Wittinghill**.



**EXECUTIVE ACTION ON HB 386**

**Motion/Vote:** SEN. ELLIOTT moved that HB 386 BE CONCURRED IN.  
Motion carried 10-0. SEN. MAHLUM will carry the bill.

**EXECUTIVE ACTION ON HB 409**

**Motion:** SEN. ELLIOTT moved HB 409.

**Discussion:**

SEN. BILL GLASER offered that the counties have a very difficult problem. That in turn makes it difficult for the legislature. He felt that a subcommittee should be appointed and take a good look at the whole situation.

SEN. ELLIOTT withdrew his motion.

CHAIRMAN DALE MAHLUM appointed SEN. KEN MILLER to chair the subcommittee. He appointed SEN. CHRIS CHRISTIAENS AND GLASER to round out the subcommittee. He set the date of March 22 for the subcommittee to report back to Senate Local Government.

**EXECUTIVE ACTION ON HB 345**

CHAIRMAN MAHLUM said the committee would wait on HB 345 to take executive action.

**ADJOURNMENT**

Adjournment: 5:30 P.M.

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SEN. DALE MAHLUM, Chairman

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MARY GAY WELLS, Secretary

DM/MW

**EXHIBIT (los59aad)**